

# Indian Hotels Co

**BUY**

## In-line end to a splendid FY19

IHCL's 4QFY19 was in-line. The strong standalone show (primarily domestic) was off-set by a weak performance of subsidiaries (mostly international). Reiterate BUY with TP of Rs 176 (20x FY21E EV/e).

### HIGHLIGHTS OF THE QUARTER

- **Standalone highlights:** 4QFY19 revenue/EBITDA/ APAT grew by 7.2/15.3/ 27.8%. ARR grew by a healthy 7% YoY, while occupancy eased from 76% to 74%. This lead to an all time high margin of 34.9% in 4QFY19. Over FY19, ARR growth was at 2.9% and occupancy grew by <100bps to 68%. F&B revenue grew in double digit while costs were up by 6% YoY.
- Management guided for RevPAR (ARR \* Occupancy) growth of ~6% YoY, as demand continues to outpace supply. We believe this is feasible and have baked it in our estimates. Incremental room additions to be ~5% (200 rooms) in 4QFY20 (The Connaught, Delhi).
- **Consolidated financials:** 4QFY19 revenue/EBITDA/ APAT grew by 8.8/16.2/15.1%. Subsidiaries had posted substantial improvement in 9MFY19. However, 4QFY19 saw an EBITDA loss. Management was not quite clear on this, even as it hinted at currency fluctuations. Even so, subsidiaries registered healthy improvement in FY19 with revenue/EBITDA growth of 14/142% YoY. We expect this improvement to continue with

repositioning of Ginger, management's focus on costs etc

- **Near term outlook:** Should be modest in a seasonally weak quarter. Elections, turmoil in aviation and ~Rs 25-30mn p.m. incremental payout for Taj Mansingh will weigh in as well.

### STANCE

India's hospitality sector is at the cusp of an up cycle with robust demand and limited supply. FY15-19 has been a watershed phase for IHCL. After a series of value destructive asset acquisitions, co infused capital (twice), shed unproductive assets, tightened operations and adopted a capital-light growth strategy in India. Ginger is now re-positioned in lean-luxury and looks well set to contribute meaningfully to overall EBITDA with the ramp-up in management contracts.

IHCL aims to grow margins to ~23-24% by FY23 (25% including other income) vs. 18.5% in FY19. We believe this is feasible, though our estimates are more conservative. IHCL is set to outperform led by its vastly improved balance sheet, strong brand equity, pan India footprint, leadership in luxury segment and performance improvement in subsidiaries (Ginger, US and UK).

### Consolidated Financial Summary

(Rs mn)	4QFY19	4QFY18	YoY (%)	3QFY19	QoQ (%)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	12,443	11,435	8.8	13,235	(6.0)	40,206	41,036	45,120	48,709	52,109
EBITDA	2,843	2,447	16.2	3,355	(15.3)	6,096	6,704	8,297	9,753	11,032
APAT	1,078	937	15.1	1,290	(16.5)	(524)	784	2,869	3,494	4,364
Diluted EPS (Rs)	0.9	0.8	15.1	1.1	(16.5)	(0.5)	0.7	2.4	2.9	3.7
P/E (x)						(290.7)	233.5	63.8	52.4	42.0
EV / EBITDA (x)						35.7	30.4	24.4	20.6	17.9
RoE (%)						(2.1)	2.3	6.7	7.7	8.9

Source: Company, HDFC sec Inst Research

INDUSTRY	HOTELS
<b>CMP (as on 30 Apr 2019)</b>	<b>Rs 154</b>
<b>Target Price</b>	<b>Rs 176</b>
Nifty	11,748
Sensex	39,032

### KEY STOCK DATA

Bloomberg	IH IN
No. of Shares (mn)	1,189
MCap (Rs bn) / (\$ mn)	183/2,630
6m avg traded value (Rs mn)	194

### STOCK PERFORMANCE (%)

52 Week high / low	Rs 161/109		
	3M	6M	12M
Absolute (%)	8.4	19.5	4.1
Relative (%)	(1.3)	5.0	(7.6)

### SHAREHOLDING PATTERN (%)

	Dec-18	Mar-19
Promoters	39.1	39.1
FIs & Local MFs	31.0	32.9
FPIs	11.2	8.1
Public & Others	18.7	19.9
Pledged Shares*	-	-

Source : BSE, \* % of total

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### Other highlights:

- IHCL signed 22 new hotels in FY19 and 4 in Apr-19. It targets to open one hotel per month in FY20 with room additions of ~1,800-2,000. Brand-wise it targets to open 900 rooms under Taj, 500 in SeleQtions and 500 in Ginger. Most of the new openings are asset-light (management contracts) except Taj Connaught.
  - With increased competition for MCs, IHCL does expect some pressure on fees from owners. However we don't foresee this to have a material impact, in line with management's view.
  - Management has guided for renovation capex to be 3-5% of revenues. This is the international benchmark.
  - Sale and lease back of properties (especially Ginger) and other non-current assets is likely.
  - Corporate business accounts for ~14% of revenue.
- IHCL has seen 4-5% rate hike. Direct booking (reservation centre/website) accounts for 22% of volumes but 48% of revenues. Revenues from website booking grew by ~11% YoY. Management estimates the direct booking share to remain constant as there is stiff competition from agents.
- IHCL's international subsidiaries especially in USA witnessed a decline in EBITDA in losses by ~\$7mn YoY. Despite concerns on Brexit, key international hotels (New York, San Francisco and Heathrow, London) have seen healthy improvement in performance.
  - Management has guided for increase in tax rate for standalone operations to 40% of pro-forma PBT in FY20 (from 37% in FY19). This is owing to lack of tax credit in standalone operations for impairment losses on international subsidiaries.

*Increase in other income  
owing to sale of residential  
flats*

*Increase in employee costs  
owing to wage settlement  
(ongoing but lumpy)*

### Consolidated Quarterly Financials

Consolidated (Rs mn)	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	% chg QoQ	% chg YoY
<b>Net Sales</b>	<b>11,435</b>	<b>9,797</b>	<b>9,645</b>	<b>13,235</b>	<b>12,443</b>	<b>(6.0)</b>	<b>8.8</b>
Cost of Materials/F&B	982	901	875	1,188	1,077	(9.3)	9.7
Emp Costs	3,344	3,588	3,487	3,845	3,787	(1.5)	13.3
Other Exps	4,662	4,201	4,291	4,846	4,736	(2.3)	1.6
Total Operating Costs	8,988	8,690	8,653	9,879	9,600	(2.8)	6.8
<b>EBITDA</b>	<b>2,447</b>	<b>1,107</b>	<b>992</b>	<b>3,355</b>	<b>2,843</b>	<b>(15.3)</b>	<b>16.2</b>
Other Income	206	150	166	145	372	156.4	81.1
D&A	852	785	812	833	849	1.9	(0.4)
Finance Costs	520	469	467	491	474	(3.5)	(8.8)
PBT before Xo	1,281	3	(120)	2,177	1,893	(13.0)	47.8
Exceptional gain/(loss)	(144)	(39)	(453)	410	148	(64.0)	(202.6)
PBT after Xo	1,137	(36)	(573)	2,587	2,040	(21.1)	79.4
Tax	568	(98)	(193)	990	871	(12.1)	53.4
PAT	569	61	(380)	1,596	1,169	(26.7)	105.4
Profit/Loss of JV/Associates	224	30	325	104	56	(45.9)	(74.8)
RPAT	793	91	(56)	1,700	1,226	(27.9)	54.6
<b>APAT (RPAT - Xo)</b>	<b>937</b>	<b>130</b>	<b>397</b>	<b>1,290</b>	<b>1,078</b>	<b>(16.5)</b>	<b>15.1</b>

Source: Company, HDFC sec Inst Research

% of Net Revenue	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	Chg QoQ (bps)	Chg YoY (bps)
Cost of Materials	8.6	9.2	9.1	9.0	8.7	(32)	7
Emp Costs	29.2	36.6	36.2	29.1	30.4	138	119
Other Exps	40.8	42.9	44.5	36.6	38.1	144	(271)
Total Operating Costs	78.6	88.7	89.7	74.6	77.2	251	(145)
<b>EBITDA</b>	<b>21.4</b>	<b>11.3</b>	<b>10.3</b>	<b>25.4</b>	<b>22.8</b>	<b>(251)</b>	<b>145</b>
Other Income	1.8	1.5	1.7	1.1	3.0	189	119
D&A	7.4	8.0	8.4	6.3	6.8	53	(63)
Finance Costs	4.5	4.8	4.8	3.7	3.8	10	(74)
<b>PBT before Xo</b>	<b>11.2</b>	<b>0.0</b>	<b>(1.2)</b>	<b>16.4</b>	<b>15.2</b>	<b>(124)</b>	<b>401</b>
Exceptional gain/(loss)	(1.3)	(0.4)	(4.7)	3.1	1.2	(191)	244
<b>PBT after Xo</b>	<b>9.9</b>	<b>(0.4)</b>	<b>(5.9)</b>	<b>19.5</b>	<b>16.4</b>	<b>(315)</b>	<b>645</b>
Tax	5.0	(1.0)	(2.0)	7.5	7.0	(48)	204
<b>APAT (RPAT - Xo)</b>	<b>8.2</b>	<b>1.3</b>	<b>4.1</b>	<b>9.7</b>	<b>8.7</b>	<b>(109)</b>	<b>47</b>
Tax as % of PBT after Xo	49.9	267.1	33.6	38.3	42.7	440	(724)

Source: Company, HDFC sec Inst Research

**Both, standalone and subsidiaries registered strong performance.**

**Subsidiaries became PAT positive on reported basis for the first time after a significant number of years.**

## FY19 Financials

Rs Mn	Consolidated			Standalone			Subsidiaries		
	FY18	FY19	% chg YoY	FY18	FY19	% chg YoY	FY18	FY19	% chg YoY
<b>Net Sales</b>	<b>41,036</b>	<b>45,120</b>	<b>10.0</b>	<b>25,840</b>	<b>27,804</b>	<b>7.6</b>	<b>15,196</b>	<b>17,316</b>	<b>14.0</b>
Cost of Materials/F&B	3,764	4,041	7.3	2,326	2,468	6.1	1,438	1,573	9.4
Emp Costs	13,466	14,708	9.2	6,496	7,039	8.4	6,970	7,669	10.0
Other Exps	17,101	18,074	5.7	10,729	11,004	2.6	6,373	7,071	10.9
<b>Total Operating Costs</b>	<b>34,332</b>	<b>36,823</b>	<b>7.3</b>	<b>19,551</b>	<b>20,510</b>	<b>4.9</b>	<b>14,781</b>	<b>16,313</b>	<b>10.4</b>
<b>EBITDA</b>	<b>6,704</b>	<b>8,297</b>	<b>23.8</b>	<b>6,289</b>	<b>7,294</b>	<b>16.0</b>	<b>415</b>	<b>1,003</b>	<b>141.8</b>
<b>EBITDA margin %</b>	<b>16.3</b>	<b>18.4</b>	<b>205</b>	<b>24.3</b>	<b>26.2</b>	<b>210</b>	<b>2.7</b>	<b>5.8</b>	<b>306</b>
Other Income	617	834	35.1	554	905	63.4	63	(71)	(212.3)
D&A	3,012	3,279	8.8	1,513	1,691	11.7	1,499	1,588	5.9
Finance Costs	2,690	1,901	(29.3)	1,934	1,586	(18.0)	756	315	(58.4)
<b>PBT before Xo</b>	<b>1,618</b>	<b>3,951</b>	<b>144.1</b>	<b>3,395</b>	<b>4,922</b>	<b>45.0</b>	<b>(1,777)</b>	<b>(971)</b>	<b>(45.4)</b>
Exceptional gain/(loss)	225	66	(70.7)	(552)	(747)	35.3	776	812	4.6
<b>PBT after Xo</b>	<b>1,843</b>	<b>4,017</b>	<b>118.0</b>	<b>2,843</b>	<b>4,175</b>	<b>46.9</b>	<b>(1,000)</b>	<b>(158)</b>	<b>(84.2)</b>
Tax	1,211	1,571	29.8	1,365	1,538	12.7	(154)	33	(121.3)
<b>PAT</b>	<b>632</b>	<b>2,446</b>	<b>286.8</b>	<b>1,479</b>	<b>2,637</b>	<b>78.3</b>	<b>(846)</b>	<b>(191)</b>	<b>(77.4)</b>
Profit/Loss of JV/Associates	403	515	27.9	-	-	-	403	515	27.9
<b>RPAT</b>	<b>1,035</b>	<b>2,961</b>	<b>186.1</b>	<b>1,479</b>	<b>2,637</b>	<b>78.3</b>	<b>(443)</b>	<b>324</b>	<b>(173.1)</b>
<b>APAT</b>	<b>811</b>	<b>2,895</b>	<b>257.1</b>	<b>2,031</b>	<b>3,384</b>	<b>66.6</b>	<b>(1,220)</b>	<b>(488)</b>	<b>(60.0)</b>

Source: Company, HDFC sec Inst Research

*Healthy growth in standalone was off-set by flat EBITDA in subsidiaries.*

### 4QFY19 Quarterly Financials

Rs mn	Consolidated			Standalone			Subsidiaries		
	4QFY18	4QFY19	% chg YoY	4QFY18	4QFY19	% chg YoY	4QFY18	4QFY19	% chg YoY
<b>Net Sales</b>	<b>11,435</b>	<b>12,443</b>	<b>8.8</b>	<b>7,862</b>	<b>8,430</b>	<b>7.2</b>	<b>3,573</b>	<b>4,013</b>	<b>12.3</b>
Cost of Materials/F&B	982	1,077	9.7	625	702	12.3	357	375	5.0
Emp Costs	3,344	3,787	13.3	1,660	1,885	13.6	1,684	1,902	12.9
Other Exps	4,662	4,736	1.6	3,023	2,897	(4.1)	1,639	1,839	12.2
<b>Total Operating Costs</b>	<b>8,988</b>	<b>9,600</b>	<b>6.8</b>	<b>5,307</b>	<b>5,485</b>	<b>3.3</b>	<b>3,681</b>	<b>4,116</b>	<b>11.8</b>
<b>EBITDA</b>	<b>2,447</b>	<b>2,843</b>	<b>16.2</b>	<b>2,555</b>	<b>2,945</b>	<b>15.3</b>	<b>(108)</b>	<b>(102)</b>	<b>(5.2)</b>
<b>EBITDA margin %</b>	<b>21.4</b>	<b>22.8</b>	<b>145</b>	<b>32.5</b>	<b>34.9</b>	<b>212</b>	<b>(3.0)</b>	<b>(2.6)</b>	<b>47</b>
Other Income	206	372	81.1	179	316	76.8	27	56	109.3
D&A	852	849	(0.4)	402	442	10.0	450	406	(9.6)
Finance Costs	520	474	(8.8)	421	394	(6.3)	99	80	(19.3)
<b>PBT before Xo</b>	<b>1,281</b>	<b>1,893</b>	<b>47.8</b>	<b>1,910</b>	<b>2,425</b>	<b>26.9</b>	<b>(630)</b>	<b>(532)</b>	<b>(15.4)</b>
Exceptional gain/(loss)	(144)	148	(202.6)	(536)	127	(123.7)	392	20	(94.8)
<b>PBT after Xo</b>	<b>1,137</b>	<b>2,040</b>	<b>79.4</b>	<b>1,375</b>	<b>2,552</b>	<b>85.7</b>	<b>(238)</b>	<b>(512)</b>	<b>115.4</b>
Tax	568	871	53.4	721	905	25.5	(153)	(34)	(78.1)
<b>PAT</b>	<b>569</b>	<b>1,169</b>	<b>105.4</b>	<b>654</b>	<b>1,648</b>	<b>152.1</b>	<b>(84)</b>	<b>(479)</b>	<b>466.9</b>
Profit/Loss of JV/Associates	224	56	(74.8)	-	-	-	224	56	(74.8)
<b>RPAT</b>	<b>793</b>	<b>1,226</b>	<b>54.6</b>	<b>654</b>	<b>1,648</b>	<b>152.1</b>	<b>139</b>	<b>(422)</b>	<b>(403.0)</b>
<b>APAT</b>	<b>937</b>	<b>1,078</b>	<b>15.1</b>	<b>1,189</b>	<b>1,521</b>	<b>27.8</b>	<b>(253)</b>	<b>(442)</b>	<b>75.2</b>

Source: Company, HDFC sec Inst Research

**ARR growth assumption of 4.5% (RevPAR ~6%) is critical to performance of IHCL**

### Standalone: Key financial and operating performance indicators

	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E	FY22E	CAGR FY15-19E	CAGR FY19-22E
No of Rooms*	4,075	4,061	4,309	4,406	4,303	4,357	4,217	4,280	4,344	4,409	-1.5%	1.5%
Occupancy	63.0	64.0	64.0	65.0	66.0	67.0	68.0	68.8	69.3	69.3	1.5%	0.6%
ARR	9,504	9,360	9,562	9,308	10,213	10,722	11,204	11,765	12,294	12,786	6.4%	4.5%
<b>Revenue split (Rs Mn)</b>												
Room income	8,893	8,843	9,083	9,833	10,582	10,947	11,726	12,635	13,499	14,250	6.0%	6.7%
F&B, Banqueting	7,324	7,742	8,134	9,182	9,422	10,278	11,152	12,155	12,885	13,658	6.7%	7.0%
Other Operating Income	2,542	2,710	3,026	3,664	4,012	4,615	4,926	5,304	5,715	6,160	10.4%	7.7%
<b>Total</b>	<b>18,759</b>	<b>19,295</b>	<b>20,244</b>	<b>22,679</b>	<b>24,016</b>	<b>25,840</b>	<b>27,804</b>	<b>30,095</b>	<b>32,099</b>	<b>34,068</b>	<b>7.0%</b>	<b>7.0%</b>
<b>EBITDA</b>	<b>4,044</b>	<b>3,895</b>	<b>3,587</b>	<b>4,223</b>	<b>5,197</b>	<b>6,289</b>	<b>7,294</b>	<b>8,221</b>	<b>9,185</b>	<b>10,092</b>	<b>20.0%</b>	<b>11.4%</b>
<b>EBITDA %</b>	<b>21.6</b>	<b>20.2</b>	<b>17.7</b>	<b>18.6</b>	<b>21.6</b>	<b>24.3</b>	<b>26.2</b>	<b>27.3</b>	<b>28.6</b>	<b>29.6</b>		
<b>Growth %</b>												
Room income	0.7	(0.6)	2.7	8.3	7.6	3.5	7.1	7.8	6.8	5.6		
F&B, Banqueting	7.1	5.7	5.1	12.9	2.6	9.1	8.5	9.0	6.0	6.0		
Other Operating Income	5.3	6.6	11.7	21.1	9.5	15.0	6.7	7.7	7.7	7.8		
<b>Total Revenue</b>	<b>3.7</b>	<b>2.9</b>	<b>4.9</b>	<b>12.0</b>	<b>5.9</b>	<b>7.6</b>	<b>7.6</b>	<b>8.2</b>	<b>6.7</b>	<b>6.1</b>		
<b>EBITDA</b>	<b>(0.4)</b>	<b>(3.7)</b>	<b>(7.9)</b>	<b>17.7</b>	<b>23.1</b>	<b>21.0</b>	<b>16.0</b>	<b>12.7</b>	<b>11.7</b>	<b>9.9</b>		
<b>Revenue Mix (%)</b>												
Room income	47.4	45.8	44.9	43.4	44.1	42.4	42.2	42.0	42.1	41.8		
F&B, Banqueting	39.0	40.1	40.2	40.5	39.2	39.8	40.1	40.4	40.1	40.1		
Other Operating Income	13.6	14.0	14.9	16.2	16.7	17.9	17.7	17.6	17.8	18.1		
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		
<b>Other Operating Income Split (Rs Mn)</b>												
Shop rentals	262	289	307	299	305	317	323	330	336	343	2.7%	2.0%
Membership fees	526	539	591	710	952	857	887	932	978	1,027	7.7%	5.0%
Management and operating fees	1,165	1,255	1,377	1,490	1,588	1,655	2,252	2,477	2,725	2,997	14.8%	10.0%
Other Operating Income	589	627	751	1,166	1,168	1,336	1,463	1,566	1,675	1,793	7.9%	7.0%
<b>Total</b>	<b>2,542</b>	<b>2,711</b>	<b>3,026</b>	<b>3,664</b>	<b>4,012</b>	<b>4,165</b>	<b>4,926</b>	<b>5,304</b>	<b>5,715</b>	<b>6,160</b>	<b>10.4%</b>	<b>7.7%</b>

Source: Company, HDFC sec Inst Research

**Increase in our EDITDA estimate has been partly off-set by increase in net debt assumptions**

### IHCL valuation snapshot

	FY21E
EBITDA (Rs Mn)	11,032
Target multiple (x)	20
Enterprise Value (Rs Mn)	220,636
(-) Net Debt (Rs Mn)	13,960
<b>Equity Value (Rs Mn)</b>	<b>206,676</b>
O/s shares (Mn)	1,189
<b>Value per share (Rs)</b>	<b>174</b>
Add: Value of IHCL stake in TajGVK	3
<b>Value per share (Rs)</b>	<b>176</b>
CMP (Rs)	154
<b>Upside/Downside (%)</b>	<b>14.6</b>

Source: Company, HDFC sec Inst Research

### Implied Value of TajGVK Holding for IHCL

O/s shares (Mn)	62.7
TP (Rs)	199
Implied Mcap (Rs Mn)	12,484
IHCL Ltd holding (%)	25.5%
Implied TajGVk value for IHCL (Rs Mn)	3,183
O/s shares (Mn)	1,189
Implied TajGVk value for IHCL (Rs Mn)	3

Source: Company, HDFC sec Inst Research

### Change In Estimates

	New		Old		Change in % / bps	
	FY20	FY21	FY20	FY21	FY20	FY21
Revenue (Rs Mn)	48,709	52,109	48,378	51,827	0.7	0.5
EBITDA (Rs Mn)	9,753	11,032	9,570	10,732	1.9	2.8
EBITDA Margin (%)	20.0	21.2	19.8	20.7	24 bps	46 bps
PAT (Rs Mn)	3,494	4,364	3,933	5,120	(11.2)	(14.8)

Source: Company, HDFC sec Inst Research

### Peer Set Comparison

	Mcap (Rs bn)	CMP (Rs)	RECO	TP/FV (Rs)	Net Debt (Rs Bn)				EV/EBITDA (x)				Net Debt/EBITDA (x)				Core ROCE (%)			
					FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E	FY18	FY19E	FY20E	FY21E
Indian Hotels	183.1	154	BUY	176	20.8	19.4	17.8	14.0	30.4	24.4	20.6	17.9	3.1	2.3	1.8	1.3	4.6	5.9	6.7	7.3
Lemon Tree	59.0	75	NEU	76	9.8	12.2	13.9	15.4	50.5	40.9	30.5	24.1	7.2	7.0	5.8	5.0	3.1	3.7	3.7	4.9
EIH	107.4	188	NR	188	2.8	2.3	1.4	(0.4)	36.8	26.2	23.4	20.7	0.9	0.6	0.3	(0.1)	3.5	3.9	4.6	5.3
EIH Associated	11.2	368	NR	324	(0.4)	(0.7)	(0.7)	(0.8)	16.0	14.1	14.2	12.5	(0.1)	(0.2)	(0.2)	(0.2)	21.5	22.4	20.5	21.5
Taj GVK	13.9	222	NR	212	2.1	2.0	1.9	1.7	22.4	22.7	20.4	17.9	3.0	2.9	2.5	1.9	7.3	6.3	7.1	8.1

Source: Company, HDFC sec Inst Research \*NR = Not Rated

## Consolidated Income Statement

(Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
<b>Net Revenues</b>	<b>40,206</b>	<b>41,036</b>	<b>45,120</b>	<b>48,709</b>	<b>52,109</b>
<b>Growth (%)</b>	<b>(0.1)</b>	<b>2.1</b>	<b>10.0</b>	<b>8.0</b>	<b>7.0</b>
Material Expenses	3,640	3,764	4,041	4,291	4,525
Employee Expenses	13,647	13,466	14,708	15,524	16,417
Other Operating Expenses	16,824	17,101	18,074	19,142	20,136
Total Operating Costs	34,110	34,332	36,823	38,956	41,078
<b>EBITDA</b>	<b>6,096</b>	<b>6,704</b>	<b>8,297</b>	<b>9,753</b>	<b>11,032</b>
<b>EBITDA Margin (%)</b>	<b>15.2</b>	<b>16.3</b>	<b>18.4</b>	<b>20.0</b>	<b>21.2</b>
<b>EBITDA Growth (%)</b>	<b>10.4</b>	<b>10.0</b>	<b>23.8</b>	<b>17.5</b>	<b>13.1</b>
Depreciation	2,994	3,012	3,279	3,442	3,615
EBIT	3,103	3,692	5,019	6,311	7,417
Other Income (Including EO Items)	442	842	863	713	702
Interest	3,238	2,690	1,901	1,756	1,510
PBT	306	1,843	3,980	5,267	6,610
Tax (Incl Deferred)	1,137	1,211	1,571	2,314	2,814
Minority Interest	200	376	489	541	568
RPAT	(632)	1,009	2,898	3,494	4,364
EO (Loss) / Profit (Net Of Tax)	(108)	225	29	-	-
<b>APAT</b>	<b>(524)</b>	<b>784</b>	<b>2,869</b>	<b>3,494</b>	<b>4,364</b>
<b>APAT Growth (%)</b>	<b>(64.7)</b>	<b>(249.6)</b>	<b>265.8</b>	<b>21.8</b>	<b>24.9</b>
<b>Adjusted EPS (Rs)</b>	<b>(0.5)</b>	<b>0.7</b>	<b>2.4</b>	<b>2.9</b>	<b>3.7</b>
<b>EPS Growth (%)</b>	<b>(64.7)</b>	<b>(224.5)</b>	<b>265.8</b>	<b>21.8</b>	<b>24.9</b>

Source: Company, HDFC sec Inst Research

## Consolidated Balance Sheet

(Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
Equity Capital	990	1,189	1,189	1,189	1,189
Reserves & Surplus	24,190	40,622	42,291	45,773	50,136
<b>Total Equity</b>	<b>25,180</b>	<b>41,811</b>	<b>43,480</b>	<b>46,963</b>	<b>51,326</b>
Minority Interests	7,380	7,774	7,999	7,971	7,942
Short term Borrowings	5,930	982	5,228	3,105	4,167
Long Term Borrowings	31,467	25,828	18,673	18,673	18,673
<b>Borrowings</b>	<b>37,397</b>	<b>26,810</b>	<b>23,901</b>	<b>21,779</b>	<b>22,840</b>
Other Non Current Liabilities	3,933	4,399	4,791	5,357	5,731
<b>Total Liabilities</b>	<b>73,890</b>	<b>80,793</b>	<b>80,171</b>	<b>82,069</b>	<b>87,838</b>
Net Fixed Assets	60,380	63,596	65,384	66,442	67,327
Other Non Current Assets	16,700	17,954	18,866	19,366	19,866
<b>Total Non Current Assets</b>	<b>77,080</b>	<b>81,550</b>	<b>84,250</b>	<b>85,807</b>	<b>87,193</b>
Cash & Cash Equivalents	2,810	6,009	4,522	3,947	8,867
Current Assets	6,450	6,187	6,982	7,259	7,766
Current Liabilities	12,450	12,952	15,583	14,945	15,988
<b>Net Current Assets</b>	<b>(6,000)</b>	<b>(6,765)</b>	<b>(8,601)</b>	<b>(7,686)</b>	<b>(8,223)</b>
<b>Total Assets</b>	<b>73,890</b>	<b>80,793</b>	<b>80,171</b>	<b>82,069</b>	<b>87,838</b>

Source: Company, HDFC Sec Inst Research



## Consolidated Cash Flow Statement

(Rs mn)	FY17	FY18	FY19P	FY20E	FY21E
Reported PBT	505	2,219	4,469	5,797	7,177
Non-operating & EO Items	108	(225)	(29)	-	-
Interest Expenses	3,238	2,690	1,901	1,768	1,511
Depreciation	2,994	3,012	3,279	3,442	3,615
Working Capital Change	(1,174)	765	1,835	(915)	537
Tax Paid	(1,137)	(1,211)	(1,571)	(2,314)	(2,814)
<b>OPERATING CASH FLOW ( a )</b>	<b>4,533</b>	<b>7,252</b>	<b>9,884</b>	<b>7,778</b>	<b>10,025</b>
Capex	(2,858)	(6,228)	(5,067)	(4,500)	(4,500)
<b>Free Cash Flow (FCF)</b>	<b>1,676</b>	<b>1,024</b>	<b>4,817</b>	<b>3,278</b>	<b>5,525</b>
Investments	12,453	633	(828)	1,082	1,236
Non-operating Income	(108)	225	29	-	-
<b>INVESTING CASH FLOW ( b )</b>	<b>9,488</b>	<b>(5,371)</b>	<b>(5,866)</b>	<b>(3,418)</b>	<b>(3,264)</b>
Debt Issuance/(Repaid)	(11,157)	(10,587)	(2,908)	(2,123)	1,061
Interest Expenses	(3,238)	(2,690)	(1,901)	(1,768)	(1,511)
<b>FCFE</b>	<b>(1,563)</b>	<b>(1,667)</b>	<b>2,916</b>	<b>1,510</b>	<b>4,014</b>
Share Capital Issuance	-	15,000	-	-	-
Dividend	(347)	(405)	(696)	(1,044)	(1,391)
<b>FINANCING CASH FLOW ( c )</b>	<b>(14,742)</b>	<b>1,317</b>	<b>(5,505)</b>	<b>(4,934)</b>	<b>(1,841)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>(721)</b>	<b>3,198</b>	<b>(1,487)</b>	<b>(574)</b>	<b>4,920</b>
Closing Cash & Equivalents	2,810	6,009	4,521	3,947	8,867

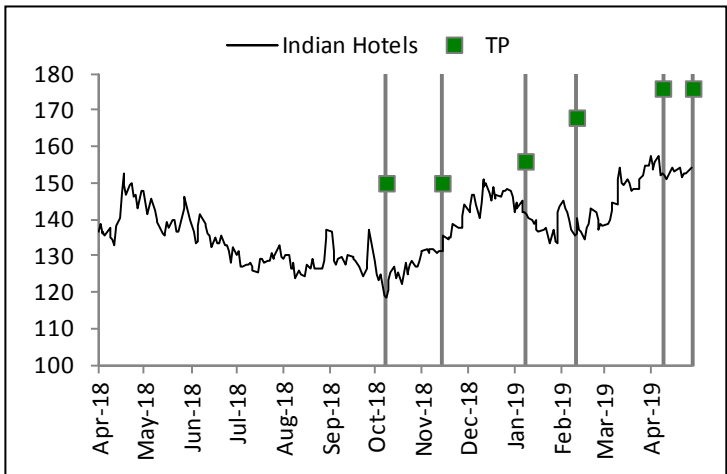
Source: Company, HDFC sec Inst Research

## Key Ratios

	FY17	FY18	FY19P	FY20E	FY21E
<b>PROFITABILITY (%)</b>					
GPM	90.9	90.8	91.0	91.2	91.3
EBITDA Margin	15.2	16.3	18.4	20.0	21.2
APAT Margin	(1.3)	1.9	6.4	7.2	8.4
RoE	(2.1)	2.3	6.7	7.7	8.9
RoIC (or Core RoCE)	4.1	4.6	5.9	6.7	7.3
RoCE	2.5	1.6	3.8	4.4	5.0
<b>EFFICIENCY</b>					
Tax Rate (%)	372	66	39	44	43
Fixed Asset Turnover (x)	1	1	1	1	1
Current Assets (days)	59	56	59	56	56
Payables (days)	113	116	132	116	116
Cash Conversion Cycle (days)	(54)	(61)	(73)	(60)	(60)
Net Debt/EBITDA (x)	6	3	2	2	1
Net D/E (x)	1	0	0	0	0
Interest Coverage (x)	1	1	3	4	5
<b>PER SHARE DATA (Rs)</b>					
EPS	(0.5)	0.7	2.4	2.9	3.7
CEPS	1.7	0.9	4.1	2.8	4.6
Dividend	0.3	0.4	0.5	0.8	1.0
Book Value	25.4	35.2	36.6	39.5	43.2
<b>VALUATION</b>					
P/E (x)	(290.7)	233.5	63.8	52.6	42.0
P/BV (x)	6.1	4.4	4.2	3.9	3.6
EV/EBITDA (x)	35.7	30.4	24.4	20.6	17.9
EV/Revenues (x)	5.4	5.0	4.5	4.1	3.8
OCF/EV (%)	2.1	3.6	4.9	3.9	5.1
FCF/EV (%)	0.8	0.5	2.4	1.6	2.8
FCFE/Mkt Cap (%)	(0.9)	(0.9)	1.6	0.8	2.2
Dividend Yield (%)	0.2	0.2	0.3	0.5	0.6

Source: Company, HDFC sec Inst Research

## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
9-Oct-18	120	BUY	150
16-Nov-18	131	BUY	150
9-Jan-19	142	BUY	156
13-Feb-19	136	BUY	168
10-Apr-19	152	BUY	176
2-May-19	154	BUY	176

### Rating Definitions

**BUY** : Where the stock is expected to deliver more than 10% returns over the next 12 month period  
**NEUTRAL** : Where the stock is expected to deliver (-) 10% to 10% returns over the next 12 month period  
**SELL** : Where the stock is expected to deliver less than (-) 10% returns over the next 12 month period

**INSTITUTIONAL RESEARCH**
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